
Framework: Utilities Supplies & Services

Case Study: Derby College

Author: Rosie O'Doherty MCIPS, Procurement Manager



Derby College's current gas and electricity contracts expired at the end of September 2019 and, mindful of the time scales involved in re-tendering, and optimal prevailing market conditions, and with the ability to contract well in advance of delivery, we started to look into procuring new contracts in March 2019.

Our first concern was ensuring that we chose a compliant route to market which met all the relevant Public Procurement Regulations. Secondly, as the gas and electricity markets are complex, we were keen to ensure we made the correct procurement decision in order to limit risk to market price movements and achieve cost savings.

We therefore decided to engage the services of a specialist and our first step was to look for a energy broker/consultant who could provide the specialist energy market knowledge we needed and who could carry out a compliant tender process on our behalf.

Here we encountered our first problem, that being the significant number of utility brokers and energy consultants in the market place. There are literally hundreds, so how do you choose one, without going through a long tender process?

It was therefore a relief to know that the CPC had in place a framework agreement with a sole supplier, Utilities Procurement Group (UPG), who could provide all the services we needed.



As the CPC had performed the tender process to appoint UPG, we knew their appointment was fully OJEU compliant, and that any subsequent tender for energy provision would also comply with all the requirements of the Public Procurement Regulations.

We also knew that by virtue of being appointed to the framework UPG had all the necessary knowledge, skills and experience to deliver the services we required, and met all the relevant mandatory and discretionary selection criteria required in the tender process.

Utilising the framework was a very easy process. It was simply a case of contacting UPG direct and arranging an initial meeting to discuss our requirements. They then advised what information they required from us in order to go to market on our behalf.

The information required was a simple Letter of Authority (a template for which is available on the CPC website) giving permission for UPG to act on our behalf for this procurement process, a list of meters with addresses and MPAN/MPRN numbers and one gas/electricity bill for each meter.

After that it was a case of leaving it to the experts!

UPG kept us fully informed of the process at all times, advising us of the optimum time to go to market and then providing full details of the results from the tender process. They also advised on which offer was the most advantageous for the College, allowing us to make a fully informed decision when selecting new contracts.

As a result of using UPG, the College has secured combined savings on gas and electricity of approximately £115,000 per annum, generating a total contract efficiency of £345,000 over the 3-year contract term.

In addition, they also reviewed the supply capacity (KVA) of each building and advised where we could reduce this, resulting in an additional £4,000 per annum saving, generating a further total contract efficiency of £12,000 over the 3-year contract term. UPG advised to leave some “headroom” in the capacity (KVa) to allow for any future expansion, EV – Electric Vehicle Charging points, and to also protect against Excess Capacity charges, which are charged at a higher rate.

Overall, we are delighted with the services provided by UPG, and the ease of use of the CPC framework agreement and will definitely be using it again.

Results

Electricity (HH & NHH)

Contract Option	Cost (£/annum)	Annual Saving (£)	Annual Saving (%)
Current Contract	866,538	-	-
12 month offer	779,396	87,142	10.1%
24 month offer	791,469	75,069	8.7%
36 month offer	791,088	75,451	8.7%

Gas

Contract Option	Cost (£/annum)	Annual Saving (£)	Annual Saving (%)
Current Contract	154,739	-	-



12 month offer	115,529	39,209	25.3%
24 month offer	115,806	38,932	25.2%
36 month offer	114,558	40,180	26.0%

The anonymised results matrix above, details the best value offers received via UPG’s various multi-supplier OJEU frameworks for Derby College across a range of contract durations. Due to the additional budget protection and cost certainty afforded by a longer-term contract, the college selected a 36-month contract term for both their Gas and Electricity supplies, which also hedges against the above inflationary, year on year “non-energy” cost increases, on a fully fixed contract.

Proactivity in timing was the key to the strong results achieved for the College here, and with guidance from UPG, contracts were placed very near to the bottom of the market, avoiding a later price spike caused by a perfect storm of conditions relating to Brexit, Norwegian Gas Supply (Langeled interconnector pipeline) and Brent Crude Oil.